

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CIAE-00 INR-10 NSAE-00 RSC-01

AGR-20 COME-00 FRB-02 TRSE-00 DRC-01 /062 W

----- 112072

R 131330Z NOV 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2880

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SECTION 1 OF 2 MANAGUA 4445

GUATEMALA ALSO FOR ROCAP

SAN SALVADOR ALSO FOR AGATT

E. O. 11652: N/A

TAGS: ECON EFIN ETRD NU

SUBJECT: ECONOMIC INDICATORS THROUGH SEPTEMBER 1973

REF: MANAGUA 4260

SUMMARY: THIRD QUARTER ECONOMIC INDICATORS SHOW THAT ECONOMY CONTINUED STRONG, BUT WITH SOME CHANGES. INDIRECT TAX COLLECTIONS AND GOVERNMENT EXPENDITURES ROSE, NET FOREIGN RESERVES FELL, AND THE SURPLUS OF EXPORTS OVER IMPORTS CHANGED TO A DEFICIT. END SUMMARY.

1. ECONOMIC INDICATORS FOR JANUARY THROUGH SEPTEMBER 1973 OBTAINED FROM THE MINISTRY OF FINANCE AND THE CENTRAL BANK SHOW CONTINUED STRONG PERFORMANCE OF THE ECONOMY. AS COMPARED TO THE SAME PERIOD IN 1972, TAX REVENUES, GOVERNMENT EXPENDITURE, NET FOREIGN RESERVES AND CURRENCY AND DEPOSITS, COMMERCIAL BANK LOANS AND CENTRAL BANK CREDIT ALL EXCEEDED LAST YEAR'S LEVELS BY
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SUBSTANTIAL MARGINS. EXPORTS AND IMPORTS (THROUGH

AUGUST) WERE ALSO AT RECORD LEVELS.

2. THERE WERE, HOWEVER, SOME CHANGES IN THE TRENDS DURING THE THIRD QUARTER AS COMPARED TO THE FIRST HALF. WHILE THE EXPORT TAX CONTINUED TO BE THE LARGEST SINGLE SOURCE OF NEW TAX REVENUE, OTHER SOURCES PICKED UP. THE SALES AND PETROLEUM TAXES, WHICH HAD SHOWN A SLIGHT DECLINE IN THE FIRST SIX MONTHS REVERSED TO SHOW 27.5 PERCENT AND 9 PERCENT INCREASES, RESPECTIVELY, DURING THE THIRD QUARTER. OTHER INDIRECT TAXES, INCLUDING IMPORT DUTIES, AND TOBACCO AND ALCOHOLIC BEVERAGES TAXES ALSO INCREASED MORE RAPIDLY IN THE THIRD QUARTER THAN THEY HAD IN THE FIRST HALF. CURRENT GOVERNMENT EXPENDITURES FOLLOWED THE SAME PATTERN.

3. NET FOREIGN RESERVES, FOLLOWING SEASONAL PATTERNS, FELL IN THE THIRD QUARTER FROM THEIR RECORD LEVEL OF MAY, BUT STILL WERE 86 PERCENT ABOVE SEPTEMBER OF LAST YEAR. CURRENCY, SIGHT, TIME AND SAVINGS DEPOSITS DROPPED SLIGHTLY DURING THE THIRD QUARTER WHILE COMMERCIAL BANK LOANS TO THE PRIVATE SECTOR EXPANDED SUBSTANTIALLY IN RESPONSE TO THE NEEDS OF THE AGRICULTURAL SECTOR DURING THE GROWING SEASON, OF THE COMMERCIAL SECTOR TO RESTOCK, AND OF RECONSTRUCTION.

4. THE MOST REMARKABLE CHANGE WAS IN THE TRADE ACCOUNTS. FROM A SUBSTANTIAL SURPLUS THROUGH JUNE, THE TRADE BALANCE REGISTERED AN IMPRESSIVE DEFICIT OF AN ESTIMATED 30.7 MILLION DOLLARS IN THE MONTHS OF JULY AND AUGUST. EXPORTS WERE ESTIMATED AT ONLY 33.9 MILLION DOLLARS WHILE IMPORTS CLIMBED TO AN ESTIMATED 64.6 MILLION. JULY AND AUGUST ARE TRADITIONALLY THE SLOWEST MONTHS FOR NICARAGUA'S PRIMARILY AGRICULTURAL EXPORTS AND CAN BE EXPECTED TO RETURN TO HIGHER LEVELS IN THE FINAL MONTHS OF THE YEAR. MEAT EXPORTS SHOULD RISE SEASONALLY AND EXPORTS OF THE NEW CROPS OF COTTON, COFFEE AND SUGAR BEGIN IN DECEMBER. WE EXPECT EXPORTS FOR THE YEAR WILL TOTAL AROUND \$285 MILLION. IMPORTS, RESPONDING TO THE INCREASING LIMITED OFFICIAL USE

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PACE OF RECONSTRUCTION, CAN BE EXPECTED TO REMAIN HIGH FOR THE REST OF THE YEAR. IF THEY CONTINUE AT THE PACE OF JULY AND AUGUST, THEY COULD REACH AS MUCH AS \$300 MILLION DOLLARS. THIS COULD RESULT IN A TRADE DEFICIT FOR THE YEAR OF AROUND 15 MILLION DOLLARS.

I. ECONOMIC INDICATORS JANUARY-SEPTEMBER 1973
COMPARED TO JANUARY-SEPTEMBER 1972.

JANUARY JANUARY PERCENT
 SEPTEMBER SEPTEMBER INCREASE
 1973 1972 (DECREASE)

1. GOVERNMENT REVENUES
 (MILLIONS OF CORDOBAS)

A. DIRECT TAXES	106.3	116.4	(8.7)
1) INCOME TAX	53.7	56.7	(5.2)
2) PROPERTY TAX	46.9	54.3	(13.6)
3) OTHER	5.7	5.3	7.5
B. INDIRECT TAXES	503.9	341.4	47.6
1) IMPORT DUTIES	156.0	127.8	22.1
2) EXPORT TAX	112.9	3.1	3000 PLUS
3) SALES TAX	57.1	53.5	6.7
4) PETROLEUM	40.3	39.5	2.0
5) TOBACCO	32.6	29.7	9.8
6) BEER & LIQUOR	45.2	36.6	23.5
7) OTHER	59.8	51.2	16.8

C. NON-TAX RECEIPTS
 AND CURRENT TRANSFER 76.0 33.1 130
 D. CAPITAL RECEIPTS 201.1 33.6 498

2. CENTRAL GOVERNMENT
 EXPENDITURES
 (MILLIONS OF CORDOBAS) 631.0 518.8 21.6

A. CURRENT 406.5 369.2 10.1
 B. CAPITAL 224.5 149.6 50.1
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INFO AMEMBASSY GUATEMALA

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3. BALANCE OF PAYMENTS
(MILLIONS OF DOLLARS)

A. EXPORTS	202.7	175.7	15.4
1) COTTON	58.6	60.0	(2.3)
2) MEAT	25.3	19.3	31.1
3) COFFEE	41.2	19.2	114.5
4) OTHER	77.7	77.2	---
B. IMPORTS	173.4	142.1	22.0
(BREAKDOWN NOT AVAILABLE)			
FOREIGN EXCHANGE RESERVES			
1) GROSS RESERVES	138.0	76.9	79R
2) LESS SHORT TERM OBLIGATIONS	40.0	24.2	65.3
3) NET INTERNATIONAL RESERVES	98.0	52.7	86.0
1) GROSS INTERNATIONAL ASSETS	192.7	117P	64.7
2) LESS GROSS INTERNATIONAL LIABILITIES	139.3	119.3	16.8
3) NET	44.4	(2.3)	---

4. MONETARY INDICATORS
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(MILLIONS OF CORDOBAS)

A. CURRENCY & SIGHT			
DEPOSITS	1,117.4	691.3	61.6
B. TIME & SAVINGS			
DEPOSITS	662.1	509.0	30.1
C. COMMERCIAL BANK LOANS			
TO PRIVATE SECTOR	1,591.9	1,284.7	23.9
D. CENTRAL BANK CREDIT			
TO COMMERCIAL BANKS	132.8	71.7	85.2
E. CENTRAL BANK CREDIT			
TO CENTRAL GOVERNMENT,			
LESS DEPOSITS	5.8	29.5	(80.3)
F. CENTRAL BANK CREDIT			
TO AUTONOMOUS AGENCIES	33.8	37.3	(9.3)

II. ECONOMIC INDICATORS THIRD QUARTER 1973 COMPARED TO
THIRD QUARTER 1972.

(A) (B) DIFFERENCE

THIRD QUARTER 1973	THIRD QUARTER 1972	AS 9* ? PERCENTAGE
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1. GOVERNMENT REVENUES

(MILLIONS OF CORDOBAS)

A. DIRECT TAXES	39.7	49.1	(19.1)
1) INCOME TAX	15.5	22.0	(29.5)
2) PROPERTY TAX	20.3	25.7	(21.0)
3) OTHER	3.0	0.4	650
B. INDIRECT TAXES	178.7	111.6	60.1
1) IMPORT DUTIES	71.4	43.0	66.0
2) EXPORT TAXES	22.3	1.3	1600 PLUS
3) SALES TAXES	21.8	17.1	27.5
4) PETROLEUM	14.6	13.4	9.0
5) TOBACCO	10.5	8.6	22.1
6) BEER & LIQUOR	16.8	11.7	43.6
7) OTHERS	21.6	13.6	66.2
C. NON-TAX RECEIPTS & CURRENT TRANSFER			
D. CAPITAL RECEIPTS	33.9	8.1	318.5
2. CENTRAL GOVERNMENT LIMITED OFFICIAL USE	221.5	178.7	23.9

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EXPENDITURES

(MILLIONS OF CORDOBAS)

A. CURRENT	154.1	120.4	28.0
?. CAPITAL	67.4	58.4	15.4

3. BALANCE OF PAYMENTS

(MILLIONS OF DOLLARS)

A. EXPORTS	33.9	34.1	(0.6)
B. IMPORTS	64.6	48.8	32.4
C. FOREIGN EXCHANGE RESERVES			
1) GROSS RESERVES	(15.3)	(10.4)	(47.1)
2) LESS SHORT TERM OBLIGATIONS	13.1	5.4	142.6
3) NET INTERNATIONAL RESERVES	(28.4)	(15.8)	(79.7)
1) GROSS INTERNATIONAL ASSETS	(4.9)	(10.5)	53.3
2) LESS GROSS INTERNA- TIONAL LIABILITIES	12.9	3.3	291
3) NET	(26.7)	(13.9)	(92.1)
4. MONETARY INDICATORS (MILLIONS OF CORDOBAS)			
A. CURRENCY & SIGHT DEPOSITS	(0.2)	(12.9)	98.4
B. TIME & SAVINGS DEPOSITS	(12.4)	(4.7)	(163.9)

C. COMMERCIAL BANK LOANS

TO PRIVATE SECTOR	266.9	91.1	193.0
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D. CENTRAL BANK CREDIT

TO COMMERCIAL BANKS	105.8	38.2	177.0
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E. CENTRAL BANK CREDIT

TO CENTRAL GOVERNMENT,

LESS DEPOSITS	5.5	(20.2)	---
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F. CENTRAL BANK CREDIT

TO AUTONOMOUS AGENCIES	(4.2)	(0.1)	---
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Disposition Case Number: n/a
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TAGS: ECON, EFIN, ETRD, NU
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